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POWER SUPPLY AGREEMENT

This **POWER SUPPLY AGREEMENT** ("Agreement") is dated as of August 15, 2002 and is by and between THE NARRAGANSETT ELECTRIC COMPANY, a Rhode Island corporation ("Narragansett") and ("Seller"). This Agreement provides for the sale by Seller of Last Resort Service, as defined herein, to Narragansett. Narragansett and Seller are referred to herein individually as a "Party" and collectively as the "Parties".

ARTICLE 1. BASIC UNDERSTANDINGS

Seller, in response to a Request for Proposal dated July 19, 2002 issued by Narragansett, has been selected to be the supplier of firm, load-following power to meet all of Narragansett's requirements for Last Resort Service. This Agreement sets forth the terms under which Seller will supply Last Resort Service to Narragansett, for a six-month period beginning on September 1, 2002.

ARTICLE 2. DEFINITIONS

As used in this Agreement, the following terms shall have the meanings specified in this Article. In addition, except as otherwise expressly provided, terms with initial capitalization used in this Agreement and not defined herein shall have the meaning as defined in the NEPOOL Agreement or by the ISO.

Affiliate of Narragansett means any company that is a subsidiary of National Grid USA.

Business Day means a 24-hour period ending at 5:00 p.m. EPT, other than Saturday, Sunday and any day which is a legal holiday or a day on which banking institutions in Providence, Rhode Island are authorized by law or other governmental action to close.

Commencement Date means the period at HE 0100 EPT on September 1, 2002.

Commission means the Federal Energy Regulatory Commission.

Competitive Supplier Terms means Narragansett's Terms and Conditions for Nonregulated Power Producers, R.I.P.U.C. No. 1124, as may be amended from time to time and approved by the RIPUC.

Contract Rate

Credit Rating means (i) the current rating assigned to an entity's unsecured, senior long-term debt obligations (not supported by third party credit enhancements) or, (ii) in the event the entity does not have a rating for its senior unsecured long-term debt, the current rating assigned to the entity as an issues

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rating by S&P, Moody's or any other rating agency agreed to by both Parties, in each Party's sole and exclusive judgement.

Customer Disconnection Date means the date a Narragansett retail customer taking service pursuant to the Last Resort Service Tariff is disconnected from service, as determined by Narragansett in accordance with the Distribution Service Terms.

Customer Termination Date means the date a Narragansett retail customer ceases to take service pursuant the Last Resort Service Tariff, as determined by Narragansett in accordance with the Last Resort Service Tariff.

Delivered Energy means the quantity of energy, expressed in megawatt-hours, provided by Seller under the terms of this Agreement. This quantity shall be the sum of the quantity of energy reported to the ISO by Narragansett for each of the Load Asset Contracts identified in Section 6.4, with such quantity determined by Narragansett in accordance with Section 6.3 of this Agreement. Such quantity does not include any allocation of PTF losses (which the ISO may assess to Seller on such energy), but does include transmission and distribution losses on Narragansett's System from the Delivery Point to the meters of Last Resort Service Customers.

Delivery Point means (i) prior to the implementation of SMD and LMP, any point or points on the NEPOOL PTF system; and (ii) after implementation of SMD and LMP, the nodes, if any, and if not, the zones, representing the actual locations of Last Resort Service Customers.

Delivery Term means the period beginning at HE 0100 EPT on September 1, 2002 and continuing through and including HE 2400 EPT on February 28, 2003.

Distribution Service Terms means Narragansett's Terms and Conditions, R.I.P.U.C. No. 1154, as may be amended from time to time and approved by the RIPUC.

Eastern Rhode Island Zone means the geographic area served by the former Blackstone Valley Electric Company and Newport Electric Corporation prior to their merger with and into Narragansett.

EPT means Eastern Prevailing Time.

Initiation Date means the date a Narragansett retail customer begins taking service pursuant to the Last Resort Service Tariff, as determined by Narragansett in accordance with the Last Resort Service Tariff.

Interest Rate means the rate provided under Commission regulations (i.e., 18 C.F.R. Section 35.19a, as amended, superceded or revised).

Investment Grade means (i) with respect to a Credit Rating assigned by S&P, a Credit Rating equal to or better than "BBB-"; or (ii) with respect to a Credit Rating assigned by Moody's, a Credit Rating equal to or better than "Baa3".

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ISO means the Independent System Operator established in accordance with the NEPOOL Agreement, the Interim Independent System Operator Agreement and all tariffs filed with and approved by the Commission, as such Agreements or tariffs may be amended, superseded or restated from time to time.

kWh means Kilowatt-hour.

Last Resort Service Customer(s) means the retail customer(s) of Narragansett taking service pursuant to the Last Resort Service Tariff.

Last Resort Service means the provision of Requirements by Seller at the Delivery Point to Narragansett to meet all needs of Last Resort Service Customers

Last Resort Service Tariff means Narragansett's Tariff for Last Resort Service, R.I.P.U.C. No. 1161, as may be amended from time to time and approved by the RIPUC.

LMP or **Locational Marginal Pricing** means as defined in the NEPOOL Agreement or by the ISO.

MATERIAL ADVERSE EFFECT means, with respect to a Party, any change in or effect on such Party after the date of this Agreement that is materially adverse to the transactions contemplated hereby, other than: (a) any change or effect resulting from changes in the international, national, regional or local wholesale or retail markets for electric power; (b) any change or effect resulting from changes in the international, national, regional or local markets for any fuel; (c) any change or effect resulting from changes in the North American, national, regional or local electric transmission or distribution systems; and (d) any change or effect resulting from any action or inaction by a governmental authority, but in any such case not affecting the Parties or the transactions contemplated hereby in any manner or degree significantly different from others in the industry as a whole.

Moody's means Moody's Investors Service, its successors and assigns.

MWh means Megawatt-hour.

Narragansett means The Narragansett Electric Company, its successors, assigns, employees, agents and authorized representatives.

Narragansett's System means the electrical transmission and distribution system of Narragansett and the electrical transmission and distribution system of any Affiliate of Narragansett.

Narragansett Zone means the geographic area served by Narragansett prior to Blackstone Valley Electric Company's and Newport Electric Corporation's merger with and into Narragansett.

NEPOOL means the New England Power Pool.

NEPOOL Agreement means the New England Power Pool Agreement dated as of September 1, 1971, as amended and as may be amended or restated from time to time.

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Net Worth means total assets, exclusive of intangible assets, less total liabilities, as reflected on a current balance sheet prepared by a certified public accountant as part of a certified financial statement in accordance with generally accepted accounting principles consistently applied in the business sector of the Seller.

Price means the total amount invoiced and payable each calendar month by Narragansett as described in Section 5.1.

Prime Rate means the prime (or comparable) rate announced from time to time by Fleet Boston or its successor as its prime rate, which rate may differ from the rate offered to its more substantial and creditworthy customers.

PTF means facilities categorized as Pool Transmission Facilities under the NEPOOL Agreement.

Requirements means all electric generation and/or market purchases and delivery, to the Delivery Point, of the electric capacity, energy and ancillary services required by Narragansett to provide kilowatt-hours to meet the needs of Last Resort Service Customers in accordance with the Last Resort Service Tariff.

RIPUC means the Rhode Island Public Utilities Commission.

S&P means Standard & Poor's Rating Group, its successors and assigns.

SMD or **Standard Market Design** means as defined in the NEPOOL Agreement or by the ISO.

ARTICLE 3. TERM , SERVICE PROVISIONS AND REGISTRATION REQUIREMENTS

Section 3.1 Term

This Agreement shall be effective immediately upon execution by the Parties and shall continue in effect until final payment is made hereunder, unless this Agreement is terminated sooner in accordance with its terms.

Section 3.2 Commencement of Electricity Supply

(a) Beginning as of the Commencement Date, Seller shall provide Requirements to Narragansett. For purposes of certainty: Supplier's obligations on the Commencement Date shall be to provide Requirements for all Last Resort Service Customers taking service under the Last Resort Service Tariff as of the Commencement Date.

(b) Beginning as of all Initiation Dates during the Delivery Term, Seller shall provide Requirements to Narragansett to meet the needs of the Last Resort Service Customer(s) initiating Last Resort Service.

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(c) If Seller elects to receive electronic notification as provided in Section 3.7(b), Narragansett shall provide to Seller a notice of Initiation Date via electronic file transfer and in a format specified by Narragansett. Each notice of Initiation Date shall include the account number, the date Seller's service to Narragansett for the customer is to begin and the customer's rate class.

(d) Seller shall not dispute/challenge any notice of Initiation Date or the initiation of service to a Last Resort Service Customer. For the Term of this Agreement, Seller hereby waives and foregoes any right that is or may be provided by Narragansett to competitive suppliers to dispute/challenge a notice that a customer will be enrolled in the service it is providing. Seller may not request to initiate Last Resort Service to a customer.

Section 3.3 Termination of Electricity Supply

(a) Seller shall cease providing Requirements to Narragansett for a customer as of, but not including, the Customer Termination Date.

(b) If Seller elects to receive electronic notification as provided in Section 3.7(b), Narragansett shall provide to Seller a notice of Customer Termination Date via electronic file transfer and in a format specified by Narragansett. Each notice of Customer Termination Date shall include the account number, the Customer Termination Date and the customer's rate class.

(c) Seller shall not dispute/challenge any notice of Customer Termination Date or the termination of service to a Last Resort Service Customer. For the Term of this Agreement, Seller hereby waives and foregoes any right that is or may be provided by Narragansett to competitive suppliers to dispute/challenge a notice that a customer will be terminated from the service it is providing. Seller may not terminate or request termination of a customer taking service pursuant to the Last Resort Service Tariff.

Section 3.4 Customer Disconnection Date

(a) Seller shall cease providing Requirements to Narragansett for a customer whose service is being disconnected as of, but not including, the Customer Disconnection Date.

(b) If Seller elects to receive electronic notification as provided in Section 3.7(b), Narragansett shall provide to Seller a notice of Customer Disconnection Date via electronic file transfer and in a format specified by Narragansett. Each notice of Customer Disconnection Date shall include the account number, the Customer Disconnection Date and the customer's rate class.

(c) Seller shall not dispute/challenge any notice of Customer Disconnection Date or the disconnection or service to a Last Resort Service Customer. For the Term of this Agreement, Seller hereby waives and foregoes any right that is or may be provided by Narragansett to competitive suppliers to dispute/challenge a notice that a customer will be terminated from the service it is providing. Seller may not disconnect or request disconnection of any customer taking service pursuant to the Last Resort Service Tariff.

Section 3.5 Distribution Service Interruptions

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Seller acknowledges that interruptions in distribution service occur. Seller further acknowledges and agrees that Narragansett may interrupt distribution service to Last Resort Service Customers consistent with the Distribution Service Terms and the Competitive Supplier Terms.

Section 3.6 Release of Customer Information

Narragansett will not issue any customer information to Seller unless Seller has first obtained the necessary authorization in accordance with the provisions of the Competitive Supplier Terms.

Section 3.7 Electronic Notification

At Seller's election, Narragansett shall provide notices contemplated by Sections 3.2, 3.3 and 3.4 via electronic file transfer. Such election shall only be effective when Seller (i) establishes an account on the Advantis Value Added Network ("VAN"), (ii) verifies its ability to transfer files to and receive files from Narragansett at least fourteen (14) days prior to the day on which Seller desires to commence electronic receipt and (iii) bears all costs to establish an account and all costs of Seller and Narragansett to use the VAN. If Seller fails to pay any or all of its VAN costs when due and payable, Seller's election shall not be valid and Narragansett shall no longer be obligated to provide electronic notification.

Section 3.8 Change in Supply; No Prohibition on Programs

(a) Seller acknowledges and agrees that the number of Last Resort Service Customers and the Requirements to meet the needs of such customers will fluctuate throughout the Delivery Term and may equal zero. Narragansett shall not be liable to Seller for any losses Seller may incur, including but not limited to lost revenues, and losses that may result from any change in Requirements, number of customers, Delivery Point, market products or the market for electricity, or change in the Distribution Service Terms or the Last Resort Service Tariff. Seller further acknowledges and agrees that there is no limit on the number of Customer Initiation Dates, Customer Termination Dates and Customer Disconnection Dates.

(b) Seller acknowledges and agrees that Narragansett has the right but not the obligation to continue, initiate, support or participate in any programs, promotions, or initiatives designed to or with the effect of encouraging Last Resort Service Customers to leave Last Resort Service for any reason ("Programs"). Nothing in this Agreement shall be construed to require notice to or approval of Seller in order for Narragansett to take any action in relation to Programs.

(c) Seller acknowledges and agrees that Narragansett and Affiliates of Narragansett will not provide Seller preferential access to or use of Narragansett's System and that Seller's sole and exclusive rights and remedies with regard to access to, use or availability of Narragansett's System, and Narragansett's or Affiliates of Narragansett's obligation to transmit electricity are those rights, remedies and obligations provided under the Distribution Service Terms, the NEPOOL Agreement and by the ISO.

ARTICLE 4. SALE AND PURCHASE

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(a) Seller shall sell and deliver to the Delivery Point and Narragansett shall purchase and receive one hundred percent (100%) of the Requirements for Last Resort Service Customers. Seller shall be responsible for all current and future requirements of NEPOOL and the ISO and associated costs of ancillary services, Installed Capability, Energy, Operating Reserves, Automatic Generation Control, losses, uplift costs, congestion charges (to the extent such charges are not imposed on Narragansett as a transmission charge by NEPOOL or the ISO) and all other requirements, market products, expenses and charges imposed by NEPOOL or the ISO that may be in effect from time to time. Seller shall also be responsible for all transmission and distribution losses associated with delivery of Requirements from the Delivery Point to the Last Resort Customer's meter and capacity and ancillary services related thereto. Seller shall be responsible for any congestion costs incurred in delivering power across the PTF system to Narragansett to the extent such charges are not imposed on Narragansett as a transmission charge by NEPOOL or the ISO and allocated on the basis of Network Load. Seller shall be responsible for all transmission and distribution costs associated with the use of transmission systems outside of NEPOOL PTF and any local point-to-point charges and distribution charges needed to deliver the power to the Delivery Point.

(b) Narragansett shall arrange for NEPOOL Regional Network Service (for transmission over PTF) ("RNS") and Local Network Service from any applicable local transmission provider(s) (for transmission over non-PTF) ("LNS"). Narragansett shall be responsible for RNS and LNS costs from the Delivery Point to the meters of Last Resort Service Customers. Seller shall be responsible for all other transmission and distribution costs.

(c) If Standard Market Design currently planned for NEPOOL, or a design or system similar to the SMD currently planned, is implemented during the term of this Agreement, Seller shall be responsible for all obligations, requirements, and costs associated with Seller having the Day-Ahead Load Obligations, Day-Ahead Adjusted Load Obligations, Real-Time Load Obligations, and Real-Time Adjusted Load Obligations at the nodes/zones representing the actual locations of the meters of Last Resort Service Customers. Seller's associated responsibilities shall include, but not be limited to Operating Reserves and their costs, Net Commitment Period Compensation charges, Emergency Energy charges, and RMR Uplift charges. Seller shall be responsible for all decisions and data submissions associated with any bids into the market system to manage these obligations. Seller shall be responsible for all components of any Locational Marginal Prices Seller must pay to provide Last Resort Service, including its delivery to the Delivery Point. These components include, but are not limited to, the energy, marginal losses, and congestion charges. Seller shall be responsible for paying all Congestion Charges for delivery to the actual meters of Last Resort Service Customers. If and only to the extent Narragansett receives Financial Transmission Rights Auction revenues associated with Auction Revenue Rights assigned to Last Resort Service Load, Narragansett shall assign, transfer or pay, if applicable, to Seller the proceeds from the auction of such rights allocated to Narragansett and associated with Last Resort Service.

(d) Terms used in this Section with initial capitalization that currently are not in the NEPOOL Agreement or the ISO but later are incorporated therein, or terms with a similar meaning to such currently planned terms, shall have the meaning defined in the NEPOOL Agreement or by the ISO upon their incorporation in the NEPOOL Agreement or the ISO.

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ARTICLE 5. PRICE, BILLING and PAYMENT

Section 5.1 Price

The Price payable by Narragansett to Seller shall be the product of (i) the total Delivered Energy in the month and (ii) Contract Rate.

Section 5.2 Billing and Payment

(a) On or before the tenth (10th) day of each month during the term of this Agreement, Seller shall calculate the amount due and payable to Seller pursuant to this Article with respect to the preceding month (the "Calculation") and provide an invoice ("Invoice") for such amount. The Calculation shall be provided to Narragansett and shall include sufficient detail for Narragansett to verify its formulation and computation. Calculations under this paragraph shall be subject to recalculation in accordance with Article 6 and shall be subject to adjustment (positive or negative) based upon such recalculation (a "Reconciliation Adjustment"). Seller shall promptly calculate the Reconciliation Adjustment upon receiving data described in Section 6.3 and shall include the adjustment, if any, in the next month's Invoice. An adjustment based upon a change in the quantity for an earlier month shall be multiplied by the Contract Rate for the month in which the adjustment is based.

(b) Narragansett shall pay Seller any amounts due and payable on or before the later of the twentieth (20th) day of the month following the month of service or the fifteenth (15th) day after the Invoice is provided to the Companies. If all or any part of the Invoice remains unpaid, interest shall accrue after but not including the Due Date and be payable to Seller on such unpaid amount at a rate per annum equal to two percent (2%) above the Prime Rate in effect on the Due Date. The Due Date for a Reconciliation Adjustment shall be the Due Date of the Invoice in which it is included.

(c) Each Party shall notify the other Party upon becoming aware of an error in an Invoice or Calculation and Seller shall promptly issue a corrected Invoice. Overpayments shall be returned by the receiving Party upon request or deducted by the receiving Party from subsequent invoices, with interest accrued at the Interest Rate from the date of the receipt of the overpayment until the date paid or deducted.

Section 5.3 Challenge to Invoices

Unless otherwise agreed: (i) either Party may challenge, in writing, the accuracy of Calculations, Invoices, Reconciliation Adjustments or data no later than twenty-four (24) months after the Due Date of the Invoice in which the disputed information is contained; (ii) if a Party does not challenge the accuracy within such twenty-four (24) month period, such Invoice shall be binding upon that Party and shall not be subject to challenge. With respect to amounts due that are disputed, payment shall be made in full and the Party receiving payment shall hold the amount in dispute in escrow until the resolution of such dispute. If any amount in dispute is ultimately determined (under the terms herein) to be due to the disputing Party, it shall be returned to the disputing Party within three (3) Business Days of such determination along with interest accrued at the Interest Rate until the date paid.

Section 5.4 Taxes, Fees and Levies

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Seller shall be obligated to pay all present and future taxes, fees and levies which may be assessed by any entity upon the Supplier's provision of services under this Agreement including but not limited for the purchase and sale of electricity to Narragansett.

Section 5.5 Netting and Setoff

Except as provided in Section 7.3 (Security) and unless otherwise specified in another agreement, if the Parties are required to pay an amount in the same month each to the other under this Agreement or any other agreement between the Parties, such amounts shall be netted, and the Party owing the greater aggregate amount shall pay to the other Party any difference between the amounts owed. Each Party reserves all rights, setoffs, counterclaims and other remedies and defenses (to the extent not expressly herein or therein waived or denied) that such Party has or to which such Party may be entitled arising from or out of this Agreement or the other agreement. All outstanding obligations to make payment under this Agreement or any other agreement between the Parties may be offset against each other, set off or recouped therefrom.

ARTICLE 6. DELIVERY, LOSSES, AND DETERMINATION AND REPORTING OF HOURLY LOADS

Section 6.1 Delivery

All electricity shall be delivered to Narragansett in the form of three-phase sixty-hertz alternating current at the Delivery Point.

Section 6.2 Losses

Seller shall be responsible for all transmission and distribution losses associated with the Requirements, namely, losses from the Delivery Point to the Last Resort Service Customers' meter. Seller shall provide to Narragansett at the Delivery Point quantities of electricity and ancillary services to cover such losses from the Delivery Point to the meters of Last Resort Service Customers. The quantities required for this purpose in each hour of a billing period shall be determined in accordance with NEPOOL's and Narragansett's procedures for loss determination. The Delivered Energy reported by Narragansett to the ISO shall include electrical losses between the Delivery Point and the Last Resort Service Customers' meters. Seller shall be responsible for all PTF losses allocated by the ISO which are associated with the provision of Last Resort Service pursuant to this Agreement.

Section 6.3 Determination and Reporting of Hourly Loads

(a) Narragansett will estimate the total hourly load responsibility for Last Resort Service provided by Seller pursuant to this Agreement based upon average load profiles developed for each of Narragansett's customer classes and Narragansett's actual total hourly load ("Seller's Estimated Hourly Load Responsibility"). Narragansett shall report to the ISO and Seller, Seller's Estimated Hourly Load Requirement. Narragansett will normally report to the ISO and to Seller Seller's Estimated Hourly Load Requirement by 1:00 P.M. of the second following business day. Appendix A provides a general

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description of the estimation process that Narragansett will initially employ (the "Estimation Process"). Narragansett shall have the right but not the obligation, in its sole and exclusive judgement, to modify the Estimation Process from time to time, provided that any such modification is designed with the objective of improving the accuracy of the Estimation Process.

Each month, Narragansett shall reconcile the Seller's Estimated Hourly Load Requirement based upon Narragansett's meter reads (such meter reads as provided for in the Delivery Service Tariff). The reconciliation, including all losses, shall be the Delivered Energy. Narragansett will normally notify the ISO of any resulting adjustment (debit or credit) to Seller's account for the Load Asset Contracts (defined in Section 6.4) no later than the last day of the third month following the billing month. Appendix A provides a general description of this reconciliation process, which process may be changed by Narragansett from time to time in its sole and exclusive discretion.

Section 6.4 NEPOOL Market System Implementation

The Services provided by Seller pursuant to the Agreement will be initially represented within the NEPOOL Market System as:

735 NECO Last Resort Service Load

As soon as possible after the execution of this Agreement and before the Commencement Date, Narragansett shall enter into the NEPOOL Market System Load Asset Contracts for Electrical Load and Installed Capability for Load Assets 735 (the "Load Asset Contracts"). The Load Asset Contracts will be effective throughout the Delivery Term and will identify Narragansett as "seller" and Seller as "buyer".

As soon as practicable following Narragansett's entry of the Load Asset Contracts and at least 72 hours before the Commencement Date, Seller shall submit Load Asset Acknowledgment Forms to the ISO and to Narragansett for each of the Load Asset Contracts submitted by Narragansett.

Narragansett shall have the right to change the Load Asset designations (identified above) from time to time, consistent with the definition of Last Resort Service. If and to the extent such designations change, Narragansett and Seller shall cooperate to timely put into effect the necessary NEPOOL Market System contracts that may be necessary to implement the new designations and terminate the prior designations.

ARTICLE 7. DEFAULT AND TERMINATION

Section 7.1 Events of Default

(a) Any one or more of the following events shall constitute an "Event of Default" hereunder with respect to Narragansett:

- (i) If Narragansett fails in any material respect to comply with, observe or perform any covenant, warranty or obligation under this Agreement (other than the events that are otherwise specifically covered in this Section as a separate Event

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of Default and except due to causes excused by Force Majeure or attributable to Narragansett's wrongful act or wrongful failure to act); and

- (ii) After receipt of written notice from Seller such failure continues for a period of five (5) Business Days, or, if such failure cannot be reasonably cured within such five (5) day period, such further period as shall reasonably be required to effect such cure, provided that Narragansett commences within such five (5) day period to effect a cure and at all times thereafter proceeds diligently to complete the cure as quickly as possible.

(b) Any one or more of the following events shall constitute an "Event of Default" hereunder with respect to Seller:

- (i) Failure of Seller (A) in any material respect to comply with, observe, or perform any covenant, warranty or obligation under this Agreement (other than the events that are otherwise specifically covered in this Section as a separate Event of Default and except due to causes excused by Force Majeure or attributable to Narragansett's wrongful act or wrongful failure to act); and (B) after receipt of written notice from Narragansett such failure continues for a period of five (5) business days, or, if such failure cannot be reasonably cured within such five (5) day period, such further period as shall reasonably be required to effect a cure, provided that Seller commences within such five (5) day period to effect such cure and at all times thereafter proceeds diligently to complete the cure as quickly as possible;
- (ii) Failure of Seller to provide Requirements in accordance with Article 3;
- (iii) Failure of Seller to deliver credit support when due in accordance with Section 7.3;

(c) Any one or more of the following events with respect to either Party shall constitute an "Event of Default" hereunder with respect to such Party:

- (i) The entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of either Party in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or (B) a decree or order adjudging either Party as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of either Party under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of either Party or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of thirty (30) consecutive days;

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- (ii) The commencement by such Party of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of such Party in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of either Party or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by such Party in furtherance of any such action;
- (iii) Any representation or warranty made by such Party is or becomes false or misleading in any material respect.

Section 7.2 Remedies Upon Default

The Parties shall have the following remedies available to them with respect to the occurrence of an Event of Default with respect to the other Party hereunder:

(a) Upon the occurrence of an Event of Default, the non-defaulting Party shall have the right to (i) continue performance under this Agreement and exercise such rights and remedies as it may have at law, in equity or under this Agreement including, with respect to Narragansett, collection of Security pursuant to Section 7.3 and (ii) at its option, give such defaulting Party a written notice (a "Default Notice") demanding that the defaulting Party cure such Event of Default. If the defaulting Party fails to cure such Event of Default within ten (10) calendar days after its receipt of the Default Notice, the non-defaulting Party shall have the right to terminate this Agreement.

(b) Upon the occurrence of an Event of Default by Seller pursuant to 7.01(b)(ii) or (iii), or by either Party pursuant to Section 7.01(c), in addition to the right provided under paragraph (a) of this Section, the non-defaulting Party shall have the option, in its sole discretion, to terminate this Agreement. Such termination shall be immediately effective upon the non-defaulting Party providing notice in accordance with Article 8.

(c) Nothing in this Article shall be construed to limit the right of any Party to seek any remedies for a breach specified in this Agreement by the other Party of its obligations hereunder, whether or not such breach results in a termination of this Agreement under this Article and whether or not such breach is cured after the times set forth for such cure in Section 7.1, or during any period during which the non-breaching Party elects not to exercise its right to terminate this Agreement. The non-defaulting Party may take whatever action in law or in equity as may be necessary or desirable to enforce performance and observance of any obligations or covenants under this Agreement, and the

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rights given hereunder shall be in addition to all other remedies available to the Parties, either in law, at equity or otherwise, for the breach of this Agreement. Seller expressly agrees that at any time after the occurrence of an Event of Default, Narragansett may exercise any rights it may have pursuant to the Article 7.3 (Security).

(d) Notwithstanding any other provision of this Agreement, the fact that a Party has cured an Event of Default within the period provided therefor in this Article shall not release such defaulting Party from its liability to indemnify, save harmless and defend the non-defaulting Party for any claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses (including the costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and reasonable disbursements in connection therewith) relating to, arising out of or resulting from such Event of Default or any failure to observe or perform any covenant or obligation under this Agreement.

Section 7.3 Security

(a) Seller shall, at all times during the Delivery Term, either (i) maintain (A) a Credit Rating at least equal to Investment Grade and (B) a Net Worth at least equal to (the "Credit Requirements") or (ii) provide credit support, in accordance with Section 7.3(b). Prior to the Commencement Date and at any time upon the request of Narragansett, Seller (or its guarantor at any time that a guaranty delivered pursuant to clause (i) below is in effect) shall establish that it meets the Credit Requirements by providing (x) a certificate of an authorized officer, accompanied by supporting certified financial statements and (y) documentation of all its Credit Ratings. Seller (or its guarantor at any time that a guaranty delivered pursuant to Paragraph (A) below of Subsection (b) of this Section is in effect) shall inform Narragansett within one (2) Business Days of any failure to meet Credit Requirements, or of being placed by S&P or Moody's on credit watch, under review for a downgrade or with negative implications.

(b) If, as of the Commencement or at any time thereafter during the Delivery Term, Seller (or its guarantor at any time that a guaranty delivered pursuant to Paragraph (A) below is in effect) fails to meet the Credit Requirements, then Seller (the "Downgraded Party") shall provide credit support to Narragansett (i) in an amount equal to ; and (ii) in one of the following forms, within five (5) Business Days of the occurrence of such event:

- (A) a guaranty of Seller's obligations hereunder issued by an affiliate of Seller that meets the Credit Requirements and in substantially the form set forth in Appendix B attached hereto; or
- (B) an irrevocable, transferable standby letter of credit (x) issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a credit rating of at least "A-" from S&P or "A3" from Moody's, (y) in a form acceptable to Narragansett, including a provision permitting Narragansett to drawn down an amount equal to Narragansett's replacement of this Agreement, based upon Narragansett's calculation thereof at the time and without giving effect to Section 5.5 (Netting and Setoff), upon an Event of Default as to Seller, and (z) if the Seller is required to provide the bank with a guarantee or any

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other form of financial assurance from one or more other entities to secure its letter of credit obligations, then such entities shall also guarantee all of Seller's obligations to Narragansett under this Agreement; or

- (C) any alternate form of credit support proposed by Seller that Narragansett deems acceptable, in its sole discretion; provided however, Narragansett is under no obligation to accept any alternate form of credit and may withhold consent to any such alternate form for any reason.

Section 7.4 Forward Contract.

The Parties agree and acknowledge that they are each a "forward contract merchant" within the meaning of the United States Bankruptcy Code, that this Agreement is a "forward contract" within the meaning of the United States Bankruptcy Code, and that the remedies identified in this Agreement, including but not limited to those specified in Section 7, shall be "contractual rights" as provided for in 11 U.S.C. § 556 as that provision may be amended from time to time.

ARTICLE 8. NOTICES, REPRESENTATIVES OF THE PARTIES

Section 8.1 Notices

Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be in writing. It shall either be sent by facsimile (with receipt confirmed by telephone), courier, personally delivered (including overnight delivery service) or mailed, postage prepaid, to the representative of the other Party designated in accordance with this Article. Any such notice, demand, or request shall be deemed to be given (i) when sent by facsimile confirmed by telephone, (ii) when actually received if delivered by courier or personal delivery (including overnight delivery service) or (iii) three (3) days after deposit in the United States mail, if sent by first class mail.

Notices and other communications by Seller to Narragansett shall be addressed to:

Mr. Michael J. Hager
Director, Energy Supply – New England
National Grid USA Service Company, Inc.
55 Bearfoot Road
Northborough, MA 01532
(508) 421-7350
(508) 421-7335 (fax)

Notices and other communications by Narragansett to Seller shall be addressed to:

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Any Party may change its representative by written notice to the Party; however such notice shall not be effective until it is received by the other Party.

Section 8.2 Authority of Representative

The Parties' representatives designated in accordance with Section 8.1 shall have full authority to act for their respective principals in all technical matters relating to the performance of this Agreement. They shall not, however, have the authority to amend, modify, or waive any provision of this Agreement unless they are authorized officers of their respective entities and such amendment, modification or waiver is made pursuant to Article 17.

ARTICLE 9. LIABILITY, INDEMNIFICATION, AND RELATIONSHIP OF PARTIES

Section 9.1 Limitation on Consequential, Incidental and Indirect Damages

To the fullest extent permissible by law, neither Narragansett or Seller, or their respective officers, directors, agents, employees, parent or affiliates, successor or assigns, or their respective officers, directors, agents, or employees, successors, or assigns, shall be liable to the other Party or its parent, subsidiaries, affiliates, officers, directors, agents, employees, successors or assigns, for claims, suits, actions or causes of action for incidental, indirect, special, punitive, multiple or consequential damages (including attorney's fees or litigation costs) connected with or resulting from performance or non-performance of this Agreement, or any actions undertaken in connection with or related to this Agreement, including without limitation any such damages which are based upon causes of action for breach of contract, tort (including negligence and misrepresentation), breach of warranty, strict liability, statute, operation of law, or any other theory of recovery. The provisions of this Section shall apply regardless of fault and shall survive termination, cancellation, suspension, completion or expiration of this Agreement.

Section 9.2 Indemnification

(a) Seller agrees to defend, indemnify and save Narragansett, its officers, directors, employees, agents, successors, assigns, and affiliates and their officers, directors, employees, and agents harmless from and against any and all claims, suits, actions or causes of action for damage by reason of bodily injury, death, or damage to property caused by Seller, its officers, directors, employees, agents or affiliates or caused by or sustained on its facilities, arising from or in connection with this Agreement, except to the extent caused by an act of negligence or willful misconduct by an officer, director, agent, employee or Affiliate of Narragansett or its successors or assigns.

(b) Narragansett agrees to defend, indemnify and save Seller, its officers, directors, employees, agents, successors, assigns, and affiliates and their officers, directors, employees, and agents harmless from and against any and all claims, suits, actions or causes of action for damage by reason of

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bodily injury, death, or damage to property caused by Narragansett, its officers, directors, employees, agents or affiliates or caused by or sustained on its facilities, arising from or in connection with this Agreement, except to the extent caused by an act of negligence or willful misconduct by an officer, director, agent, employee or affiliate of Seller or their successors or assigns.

(c) If any Party intends to seek indemnification under this Section from the other Party with respect to any action or claim, the Party seeking indemnification shall give the other Party notice of such claim or action within fifteen (15) days of the commencement of, or actual knowledge of, such claim or action. The Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such claim or action. The Party seeking indemnification shall not compromise or settle any such claim or action without the prior consent of the other Party, which consent shall not be unreasonably withheld.

Section 9.3 Independent Contractor Status

Nothing in this Agreement shall be construed as creating any relationship between Narragansett and Seller other than that of independent contractors for the sale and delivery of Requirements Last Resort Service.

ARTICLE 10. ASSIGNMENT

Section 10.1 General Prohibition Against Assignments

Except as provided in Section 10.2, neither Party shall assign, pledge or otherwise transfer this Agreement or any right or obligation under this Agreement without first obtaining the other Party's written consent, which consent shall not be unreasonably withheld.

Section 10.2 Exceptions to Prohibition Against Assignments

(a) Seller may, without Narragansett's prior written consent, collaterally assign this Agreement in connection with financing arrangements provided that any such collateral assignment that provides for the Company to direct payments to the collateral agent (i) shall be in writing, (ii) shall not be altered or amended without prior written notice to Narragansett from both Seller and the collateral agent, and (iii) provided that any payment made by Narragansett to the collateral agent shall discharge Narragansett's obligation as fully as to the same extent as if it had been made to the Seller. Seller must provide Narragansett at least (5) days advance written notice of collateral assignment and provide copies of any such assignment and relevant agreements or writings.

(b) Narragansett may assign all or a portion of its rights and obligations under this Agreement to any Affiliate of Narragansett without consent of Seller. Either Party may assign its rights and obligations hereunder, or transfer such rights and obligations by operation of law, to any corporation or other entity with which or into which such Party shall merge or consolidate or to which such Party shall transfer all or substantially all of its assets, provided that such affiliate or other entity agrees to be bound by the terms hereof and provided further, that such affiliate's or other entity's creditworthiness is comparable to or higher than that of such Party and such Party is not relieved of any obligation or liability hereunder as a result of such assignment

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ARTICLE 11. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and shall be binding upon the Parties hereto and their respective successors and permitted assigns.

ARTICLE 12. FORCE MAJEURE

(a) Force Majeure shall include but not be limited to acts of God, earthquakes, fires, floods, storms, strikes, labor disputes, riots, insurrections, acts of war (whether declared or otherwise), acts of governmental, regulatory or judicial bodies, but if and only to the extent that such event or circumstance (i) directly affects the availability of the transmission or distribution facilities of NEPOOL, Narragansett or an Affiliate of Narragansett necessary to provide service to Narragansett's customers which are taking service pursuant to the Last Resort Service Tariff and (ii) it is not within the reasonable control of, or the result of the negligence of, the claiming Party, and which, by the exercise of due diligence, the claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (A) fluctuations in Last Resort Service, (B) the cost to a Party to overcome or avoid, or cause to be avoided, the event or circumstance affecting such Party's performance or (C) Events affecting the availability or cost of operating any generating facility.

(b) To the extent that either Party is prevented by Force Majeure from carrying out, in whole or in part, its obligations hereunder and (i) such Party gives notice and detail of the Force Majeure to the other Party as soon as practicable after the onset of the Force Majeure, including an estimate of its expected duration and the probable impact on the performance of its obligations hereunder; (ii) the suspension of performances is of no greater scope and of no longer duration than is required by the Force Majeure, and (iii) the Party claiming Force Majeure uses commercially reasonable efforts to remedy or remove the inability to perform caused by Force Majeure, then the affected Party shall be excused from the performance of its obligations prevented by Force Majeure. However, neither Party shall be required to pay for any obligation the performance of which is excused by Force Majeure. This paragraph shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Party involved in the dispute are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the Party involved in the dispute.

(c) No obligations of either Party which arose before the Force Majeure occurrence causing the suspension of performance are excused as a result of the occurrence.

(d) Prior to the resumption of performance suspended as a result of a Force Majeure occurrence, the Party claiming the Force Majeure shall give the other Party written notice of such resumption.

ARTICLE 13. WAIVERS

No delay or omission in the exercise of any right under this Agreement shall impair any such right or shall be taken, construed or considered as a waiver or relinquishment thereof, but any such right

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may be exercised from time to time and as often as may be deemed expedient. The waiver of any single breach or default of any term or condition of this Agreement shall not be deemed to constitute the waiver of any other prior or subsequent breach or default of the Agreement or any other term or condition.

ARTICLE 14. REGULATION

Section 14.1 Laws and Regulations

(a) This Agreement and all rights, obligations, and performances of the Parties hereunder, are subject to all applicable Federal and state laws, and to all duly promulgated orders and other duly authorized action of governmental authority having jurisdiction.

(b) The rates, terms and conditions contained in this Agreement are not subject to change under Section 205 of the Federal Power Act as that section may be amended or superceded, absent the mutual written agreement of the Parties.

(c) Absent the agreement of all Parties to the proposed change, the standard of review for changes to this Agreement proposed by a non-party or the Commission acting sua sponte shall be the "public interest" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) (the "Mobile-Sierra" doctrine).

Section 14.2 NEPOOL Requirements

This Agreement must comply with all NEPOOL Criteria, Rules, and Standard Operating Procedures ("Rule" or "Rules"). If, during the term of this Agreement, the NEPOOL Agreement is terminated or amended in a manner that would eliminate or materially alter a Rule affecting a right or obligation of a Party hereunder, or if such a Rule is eliminated or materially altered by NEPOOL, the Parties agree to negotiate in good faith in an attempt to amend this Agreement to incorporate a replacement provision ("Replacement Provision"). The intent of the Parties is that any such Replacement Provision reflect, as closely as possible, the intent and substance of the provision being replaced as such provision was in effect prior to the termination or amendment of the NEPOOL Agreement or elimination or alteration of the Rule. If the Parties are unable to reach agreement on an amendment, the Parties agree to submit the matter to arbitration under the terms of Section 15.2 and to seek a resolution of the matter consistent with this paragraph.

ARTICLE 15. INTERPRETATION, DISPUTE RESOLUTION

Section 15.1 Governing Law

The Agreement shall be governed by and construed and performed in accordance with and the laws of the State of Rhode Island, without effect to its conflict of laws provisions.

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Section 15.2 Dispute Resolution

All disputes between Narragansett and Seller under this Agreement shall be referred to a senior manager of Seller designated by Seller, and a senior manager of Narragansett designated by Narragansett, for resolution on an informal basis as promptly as practicable. In the event the designated senior managers are unable to resolve the dispute within ten (10) days, or such other period to which the Parties may jointly agree, to the extent the dispute relates to an amount, or services valued, that do not exceed two hundred fifty thousand dollars (\$250,000.00), such dispute shall be submitted to arbitration and resolved in accordance with the arbitration procedure set forth in this Section. The arbitration shall be conducted before a single neutral arbitrator mutually agreed to and appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, Seller and Narragansett shall each choose one arbitrator, who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within ten (10) days select a third arbitrator to act as chairman of the arbitration panel. In either case, the arbitrator(s) shall be knowledgeable in electric utility matters, including wholesale power transactions and power market issues, and shall not have any current or past substantial business or financial relationships with either Party. The arbitrator(s) shall afford each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. There shall be no formal discovery conducted in connection with the arbitration; provided, however, that the Parties shall exchange witness lists and copies of any exhibits that they intend to utilize in their direct presentations at any hearing before the arbitrator(s) at least ten (10) days prior to such hearing, along with any other information or documents specifically requested by the arbitrator(s) prior to the hearing. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of his, her or their appointment and shall notify the Parties in writing of such decision and the reasons therefore, and shall make an award apportioning the payment of the costs and expenses of arbitration among the Parties; provided, however, that each Party shall bear the costs and expenses of its own attorneys, expert witnesses and consultants. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Agreement and shall have no power to modify or change the Agreement in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act.

ARTICLE 16. SEVERABILITY

Any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change will not otherwise affect the remaining provisions and lawful obligations that arise under this Agreement. If any provision of this Agreement, or the application thereof to any Party or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (b) the remainder of this Agreement and the application of such provision or circumstances shall not be affected by such invalidity or unenforceability.

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ARTICLE 17. MODIFICATIONS

No modification or amendment of this Agreement will be binding on any Party unless it is in writing and signed by both Parties.

ARTICLE 18. ENTIRE AGREEMENT

This Agreement, including the Appendices, the tariffs and agreements referred to herein or therein, embody the entire agreement and understanding of the Parties hereto in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. It is expressly acknowledged and agreed that there are no restrictions, promises, representations, warranties, covenants or undertakings contained in any material provided or otherwise made available to Seller. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated hereby.

ARTICLE 19. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

ARTICLE 20. INTERPRETATION; CONSTRUCTION

The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement. For purposes of this Agreement, the term "including" shall mean "including, without limitation". The Parties acknowledge that, each Party and its counsel have reviewed and or revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement, and it is the result of joint discussion and negotiation.

ARTICLE 21. REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Party represents to the other Party as follows:

(a) It is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has all requisite power and authority to carry on its business as is now being conducted.

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(b) It has full power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by it, and, assuming that this Agreement constitutes a valid and binding agreement of the other Party, constitutes its valid and binding agreement, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) No declaration, filing with, notice to, or authorization, permit, consent or approval of any Governmental Authority is required for the execution and delivery of this Agreement by it or the performance by it of its obligations hereunder, other than such declarations, filings, registrations, notices, authorizations, permits, consents or approvals which, if not obtained or made, will not, in the aggregate, have a Material Adverse Effect.

(d) Neither the execution and delivery of this Agreement by it nor the performance by it of its obligations under this Agreement will (i) conflict with or result in any breach of any provision of its Certificate of Incorporation or Bylaws, (ii) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which it or any of its subsidiaries is a party or by which it or any of its subsidiaries is bound, except for such defaults (or rights of termination, cancellation or acceleration) as to which requisite waivers or consents have been obtained or which, in the aggregate, would not have a Material Adverse Effect; or (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to it, which violation would have a Material Adverse Effect.

(e) There are no claims, actions, proceedings or investigations pending or, to its knowledge, threatened against or relating to it before any governmental authority acting in an adjudicative capacity relating to the transactions contemplated hereby that could have a Material Adverse Effect. It is not subject to any outstanding judgment, rule, order, writ, injunction or decree of any court or governmental authority which, individually or in the aggregate, would create a Material Adverse Effect.

ARTICLE 22. CONSENTS AND APPROVALS

The Parties shall cooperate so that each Party may take such actions as necessary and required for the other Party to effectuate and comply with this Agreement including to (i) promptly prepare and file all necessary documentation, (ii) effect all necessary applications, notices, petitions and filings and execute all agreements and documents, and (iii) use all commercially reasonable efforts to obtain all necessary consents, approvals and authorizations of all other entities, in the case of each of the foregoing clauses (i), (ii) and (iii), necessary or advisable to consummate the transactions contemplated by this Agreement or required by the terms of any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument to which Narragansett or Seller is a party or by which either of them is bound. Narragansett shall have the right to review and approve in advance all characterizations of the information relating to the transactions contemplated by this Agreement which appear in any filing, press release or public announcement made in connection with the transactions contemplated hereby.

ARTICLE 23. SURVIVAL

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As of the expiration of this Agreement in accordance with Article 3.1 or, if earlier, its termination, the Parties shall no longer be bound by the terms and provisions hereof, except (a) to the extent necessary to enforce the rights and obligations of the Parties arising under this Agreement before such expiration or termination and (b) the obligations of the Parties hereunder with respect to indemnification and defense of claims.

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Agreement on their behalf as of the date first above written.

THE NARRAGANSETT ELECTRIC COMPANY

BY:

Its

BY:

Its_____

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APPENDIX A
ESTIMATION OF SELLER HOURLY LOADS

Overview

Generating units operated by suppliers are dispatched by the power pool to meet the region's electrical requirements reliably, and at the lowest possible cost. As a result, a supplier's electricity production may not match the demand of its customers. In each hour some suppliers with low cost production units are net sellers of electricity to the pool, while other suppliers are purchasing power from the pool to meet the demand of their customers. To determine the extent to which suppliers are net buyers or sellers on an hourly basis, it is necessary to estimate the hourly aggregate demand for all of the customers served by each supplier. Narragansett will estimate Seller's Last Resort Service load obligations within Narragansett's service territories and report the hourly results to the ISO on a daily basis.

The estimation process is a cost-effective approach to producing results that are reliable, unbiased and reasonably accurate. The hourly load estimates will be based on rate class load profiles, which will be developed from statistically designed samples. Each day, the class load shapes will be scaled to the population of customers served by each supplier. In cases where telemetered data on individual customers are available, they will be used in place of the estimated shapes. On a monthly basis, the estimates will be refined by incorporating actual usage data obtained from meter readings. In both processes, the sum of all suppliers' estimated loads will match the total load delivered into the distribution system. A description of the estimation process follows.

Daily Estimation of Suppliers' Own Load

The daily process estimates the hourly load for each supplier for the previous day. The following is an outline of this process:

- Select a proxy date from the previous year with characteristics which best match the day for which the hourly demand estimates are being produced. Extract class load shapes for the selected proxy date from the load research database.
- Scale the class load shapes appropriately for each individual customer based on the usage level of the customer relative to the class average usage level.
- Calculate a factor for each customer which reflects their relative usage level and includes an adjustment for losses ("load adjustment factor"). Aggregate the load adjustment factors across the customers served by each supplier in each class.
- Produce a preliminary estimate of each supplier's hourly loads by combining the proxy day class load shapes with the supplier's total load adjustment factors. Aggregate the loads across the classes for each supplier.

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- Adjust the preliminary hourly supplier estimates so that their sum is equal to Narragansett's actual hourly metered loads (as metered at the point of delivery to the distribution system) by allocating any differences to suppliers in proportion to their estimated load.
- Adjust the hourly supplier estimates to include transmission losses within Narragansett's transmission system.
- Submit the hourly loads to the ISO.

After Narragansett has submitted the supplier hourly loads, the ISO will allocate PTF losses to the supplier's account during the settlement process.

Monthly Reconciliation Process

The monthly process will improve the estimates of supplier loads by incorporating the most recent customer usage information, which will be available after the monthly meter readings are processed. The actual customer meter readings, as well as actual interval data for the largest customers, are used to re-estimate all of the days in the calendar month being reconciled. Updates to customers' account status and supplier assignments that may have been missed during the daily processing (due to timing) are included. The sum of the resulting kWh over the days in the month is reported and used by the ISO as the basis for a monthly adjustment.

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APPENDIX B
FORM OF GUARANTY

IN CONSIDERATION of and in order to induce The Narragansett Electric Company (“Narragansett”) to enter into the Power Supply Agreement dated ____ (the "Agreement") with _____TDB____ (“Seller”), _____TBD_____ (“Guarantor”) hereby unconditionally, absolutely and irrevocably guarantees the full and faithful performance and payment of all obligations and liabilities of Seller that are now due or may hereafter become due and payable under and pursuant to the Agreement (collectively, the “Obligations”). Guarantor further promises to pay all reasonable attorney’s fees and costs incurred by Narragansett in enforcing this Guaranty.

This Guaranty shall be a continuing guaranty of performance and payment and not of collection. It shall remain in full force and effect until the earlier of (i) _____ or (ii) fifteen (15) days following written notice from Guarantor to Narragansett; provided that prior to the effective date of termination, this Guarantee shall be replaced with alternative security as provided for in ARTICLE 7, Section 7.2 of the Agreement (“Replacement Security”) and such Replacement Security shall explicitly extend to any of Guarantor’s liability to Narragansett with respect to Obligation’s which have accrued prior to the effective date of such Replacement Security. Termination of this Guaranty shall not affect Guarantor’s liability to Narragansett with respect to Obligations that accrued prior to the effective date of such termination and for which a Demand (as defined below) has been made by Narragansett. The maximum aggregate liability of Guarantor under this Guaranty is limited to the amount of _____ (\$ _____ .00).

If Seller fails to perform or pay, as applicable, the Obligations and Narragansett has elected to exercise its rights under this Guaranty, then Narragansett shall make a demand upon Guarantor (hereinafter referred to as a “Demand”). A Demand shall be in writing and shall reasonably and briefly specify in what amount or in what manner Seller has failed to perform or pay, Narragansett's good faith calculation of its financial exposure for Seller's failure to perform (the "Exposure"), an explanation of why performance or payment is due, and a specific statement that Narragansett is calling upon Guarantor to perform or pay under this Guaranty. If the Demand is based upon Seller's failure to provide Last Resort Service, Guarantor's obligation under this Guaranty shall be to either (i) perform the future Obligations and pay the portion of the Exposure related to Seller's past default or (ii) pay the entire Exposure. A Demand shall also include the bank account and wire transfer information to which the funds should be wire transferred. A Demand satisfying the foregoing requirements shall be deemed sufficient notice to Guarantor that performance or payment is due under the Obligations. A single Demand shall be effective as to any specific default during the continuance of such default, until Seller or Guarantor has cured the default, and additional written demands concerning such default shall not be required until such default is cured. Upon receipt of such Demand, Guarantor shall cause to pay or to be repaid to Narragansett via wire transfer of funds, free of any deductions or withholdings, all Obligations due to Narragansett pursuant to this Guaranty within five (5) days after receiving such Demand from Narragansett.

Guarantor shall not be discharged or released from its obligations hereunder by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or

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arrangement of Seller or by any defense which Seller may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding. If at any time any payment of any of the Obligations is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of Seller or otherwise, the Guarantor's obligations hereunder with respect to such payment shall be at such time as though such payment had not been made. The Guarantor reserves the right to assert defenses which Seller may have to payment of any Obligation other than defenses arising from the bankruptcy or insolvency of Seller and other defenses expressly waived hereby.

Guarantor hereby waives notice of acceptance of this Guaranty and notice of any obligation or liability to which it may apply, and waives presentment, demand for payment, protest, notice of dishonor or non-payment of any such obligation or liability, suit or the taking of action by Narragansett against, and any other notice to Seller, Guarantor or others.

Guarantor hereby represents and warrants that: (i) it is a corporation duly organized, validly existing, and in good standing under the laws of the State of _____ and has the corporate power and authority to execute, deliver and carry out the terms and provisions of this Guaranty; (ii) no authorization, approval, consent or order of, or registration or filing with any court or other governmental body having jurisdiction over Guarantor is required on the part of Guarantor for the execution and delivery of this Guaranty; and (iii) Guarantor has duly executed and delivered this Guaranty and this Guaranty constitutes a valid and legally binding obligation of Guarantor, except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

Communications made by personal delivery, or by mail shall be effective upon actual receipt. Communications made by telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours.

All communications to Narragansett shall be directed to:

Mr. Michael J. Hager
Director, Energy Supply – New England
National Grid USA Service Company, Inc.
55 Bearfoot Road
Northborough, MA 01532
(508) 421-7350
(508) 421-7335 (fax)

or such other address as Narragansett shall from time to time specify to Guarantor.

All communications to Guarantor shall be directed to:

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Phone:

Fax:

or such other address as Guarantor shall from time to time specify to Narragansett.

This Guaranty constitutes the entire agreement of Guarantor with respect to matters set forth herein. Guarantor and Narragansett may not assign this Guaranty without the prior written consent of the other party, which consent shall not be unreasonably withheld. Any assignment as provided for herein shall terminate Guarantor's liability with respect to Obligations that arise after the date the assignment is effective.

Narragansett shall endeavor to keep the existence and the terms of this Guaranty confidential. Narragansett shall only disclose the existence of this Guaranty to those officers, directors and employees and agents who have a need to know and who agree to keep the existence and terms of this Guaranty confidential, and to governmental authorities with jurisdiction over Narragansett along with a request for confidential treatment/trade secret protection.

THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF RHODE ISLAND WITHOUT GIVING EFFECT TO ITS ANY CONFLICT OF LAWS PROVISIONS.

If any one or more provisions of this Guaranty shall for any reason or to any extent be determined invalid or unenforceable, all other provisions shall, nevertheless, remain in full force and effective.

IN WITNESS WHEREOF, Guarantor has duly executed this Guaranty on this ____ day of _____, 2002.

Guarantor:

By: _____

Name:

Title: